

**Select Committee on Economic Disparity and Fairness in Growth****U.S. House of Representatives**3470 O'NEILL HOUSE OFFICE BUILDING
WASHINGTON DC, 20515
202-225-5990**Memorandum**

To: Members, Select Committee on Economic Disparity and Fairness in Growth
From: Select Committee Majority Staff
Subject: October 18, 2021, Select Committee Field Hearing in Lorain, OH entitled, “Renewing Prosperity in the Industrial Heartland: An Economic Agenda for Forgotten Communities”

The Select Committee on Economic Disparity and Fairness in Growth will hold a field hearing in Lorain, OH entitled “Renewing Prosperity in the Industrial Heartland: An Economic Agenda for Forgotten Communities” on Monday, October 18, 2021, at 1:00 PM ET at El Centro de Servicios Sociales, Inc, 2800 Pearl Ave, Lorain, OH 44055.

There will be one panel with the following witnesses, followed by a discussion session with the audience:

- **Mr. Richard Cain**, Vice President, USW Local 1104
- **Mr. Lourenco Goncalves**, Chairman, President and CEO, Cleveland-Cliffs, Inc.
- **Mrs. Kelly Zelesnik**, Dean of Engineering, Business & Information Technologies, Lorain County Community College
- **The Honorable Jack Bradley**, Mayor of the City of Lorain, OH
- **Ms. Dee Baker**, Director of Outreach & Civic Engagement, Lorain County Urban League
- **Mr. Pat Choate**, Director, Manufacturing Policy Project
- **Mr. Shay Hawkins**, Chairman and CEO, Opportunity Funds Association

Overview

On September 28, 2021, the Select Committee held [a hearing](#) focused on the effects of globalization on American economic disparity. Increased globalization, or the free flow of people, goods, and services across national borders, has yielded increased access to global supply chains, increased access to foreign markets, and reduced consumer prices. Globalization has simultaneously contributed to shifting the US economy from predominantly goods-producing to predominantly services-providing, dislocating US workers and creating economic pain concentrated in certain regions and demographic cohorts. Despite the creation of programs designed to support workers through this economic transition, American economic disparity has increased in particularly sensitive areas. The briefing memo for the September 28 hearing can be found [here](#).

This hearing will examine how Lorain, OH, a city that has borne the concentrated costs of deindustrialization, has dealt with the disproportionate loss of manufacturing jobs to other countries over the past several decades and worked to improve the economic condition of its residents. The committee will hear perspectives directly from leaders in manufacturing, government, workforce development and the lived experience of a lifelong local manufacturing worker. They will then discuss how the various stakeholders in the public and private sectors can and should work together to better support workers who are displaced from work due to globalization, and help them transition to new, high-quality jobs.

A Brief History of Globalization in the United States

Since the conclusion of World War II, the US has led the creation of a new globally interconnected economic order. Increased globalization, or the free flow of people, goods, and services across national borders, has yielded increased access to global supply chains, increased access to foreign markets, and reduced consumer prices. Globalization has simultaneously contributed to shifting the US economy from predominantly goods-producing to predominantly services-providing, dislocating US workers and creating economic pain concentrated in certain regions and demographic cohorts. Despite the creation of programs designed to support workers through this economic transition, American economic disparity has increased in particularly sensitive areas.

In 2018 some 40 million American jobs—or roughly one in every five—were supported by international trade, an increase of 25 million from 1992.¹ Jobs supported by trade are in a variety of sectors, including the manufacturing sector, which in 2016 directly supported 6.3 million jobs through the export of US manufactured goods, accounting for half of all manufacturing employment.² Trade is critical for the services sector as well: in 2019, US exports of services reached nearly \$850 billion, supporting well-paying jobs in a variety of industries.³ American farmers and ranchers, who export roughly 25% of their products each year, also benefit from international trade.⁴

However, due to the highly spatially concentrated nature of the manufacturing sector, economic shocks, including from trade, have larger and more persistent adverse effects on local economies because of multiplier impacts on local economic activity more broadly (loss of jobs or income means less demand for the output of other local business, which means fewer jobs or income in other local industries, and so on), and because workers and households find it difficult to move out to places with better economic opportunities.⁵ For instance, a recent study by Autor et al (2021) finds no evidence of either differential reductions in labor supply due to out-migration or greater absorption of workers by non-manufacturing sectors, differing from the previously established consensus among most scholars that losses from trade would likely be diffuse due to expected labor mobility across regions and industries.

Instead, according to the study, manufacturing job loss results in a nearly one-for-one decrease in the employment-population ratio.⁶ In fact, the authors find that the trade shock generated a very modest net out-migration from the impacted commuting zones, predominantly only among adults ages 25 to 39. Furthermore, the multiplier impact of a decline in local manufacturing sector employment on other local jobs is sizeable according to Bartik, who estimates that for each “job lost or gained in manufacturing, one or two additional local jobs are lost or gained.”⁷

¹ Trade Partnerships Worldwide LLC, [Trade and American Jobs: The Impact of Trade on U.S. and State-Level Employment 2020 Update](#), October 2020, Accessed October 14, 2021.

² International Trade Administration, [Employment and Trade: Jobs Supported by State Exports 2016 Data](#), March 2018, Accessed October 14, 2021.

³ U.S. Bureau of Economic Analysis, [U.S. International Trade in Goods and Services](#), December 2019, Accessed October 14, 2021.

⁴ American Farm Bureau Federation, [Fast Facts About Agriculture and Food](#), 2019, Accessed October 14, 2021.

⁵ Charles et al. [The Transformation of Manufacturing and the Decline in the U.S. Employment](#) March 2018, Accessed October 14, 2021.

⁶ Autor et al. [On the persistence of the China shock](#) September 9, 2021, Accessed October 14, 2021.

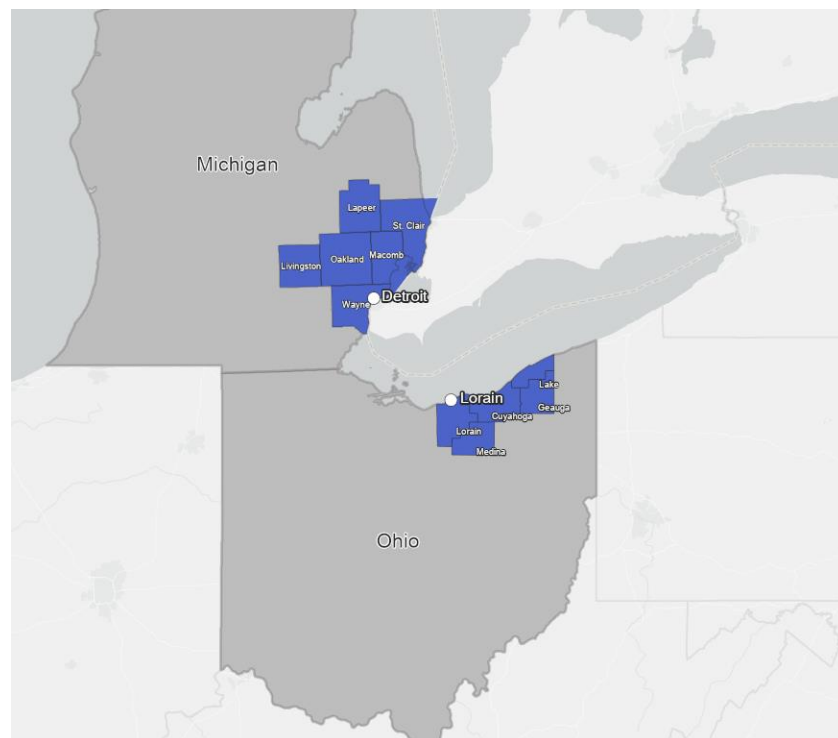
⁷ Bartik, Timothy J. [What Works to Help Manufacturing-Intensive Local Economies?](#) May 8, 2018, Accessed October 14, 2021.

A widening wealth gap, deindustrialization, and the shrinking of the middle class have all played into the narrative that freer flows of goods and services have eroded the ability for Americans to earn a good life.⁸ Trade always creates winners and losers, and the negative outcomes of globalization can often be highly concentrated among certain industries, geographies, or populations. Policymakers should consider how those negatively impacted by a changing economy outside their control can be duly compensated and supported. That said, increased globalization has conferred certain net positive benefits to the United States, and any attempts to withdraw significantly from the globalized economy would bring drastic economic harm.⁹

A Closer Look at Two Metro Areas in the Industrial Heartland of the Great Lakes Region

Two examples of regions with historically important manufacturing sectors that have experienced a high degree of import competition and subsequent job loss are Cleveland-Elyria, OH metropolitan area (“Cleveland MSA”) and Detroit-Warren-Dearborn, MI metropolitan area (“Detroit MSA”), shown in Figure 1. Over the past 30 years, both metropolitan statistical areas (MSAs), which are clusters of counties with high levels of economic integration, have seen declining employment in manufacturing subsectors that are regionally important. The two MSAs experienced similar decline between 1990 and 2010, but the Detroit MSA has undergone a modest manufacturing revival since the end of the Great Recession, while the Cleveland MSA has struggled to retain jobs.

Figure 1. Cleveland-Elyria, OH MSA and Detroit-Warren-Dearborn, MI MSA



⁸ Pew Research, [In U.S. and UK, Globalization Leaves Some Feeling ‘Left Behind’ or ‘Swept Up’](#) October 5, 2020, Accessed October 14, 2021.

⁹ Mercatus Center at George Mason University, [The Benefits of Free Trade: Addressing Key Myths](#), May 2018, Accessed October 14, 2021.

Labor Market and Business Conditions in the Cleveland-Elyria, OH MSA

Population and job loss have significantly affected the Cleveland area over the past 20 years. The Cleveland-Elyria MSA, which consists of Cuyahoga, Geauga, Lake, Lorain, and Medina counties, contains Lorain, OH, and had a resident population of slightly over 2 million in 2019 just before the COVID-19 pandemic hit—down 4.6%, or 98,900 residents, from 2000 when these data were first collected.¹⁰ Over the same period, the number of nonfarm jobs in the MSA declined by 56,000, or 4.9%.¹¹ Manufacturing jobs accounted for thirteen out of every ten of these job losses, meaning that employment growth in other sectors was not strong enough to outweigh manufacturing job loss and keep overall employment stable. The share of manufacturing jobs in the region has effectively decreased from 17.2% in 2000 to 11.4% in 2019. In 2019, manufacturing employment in the Cleveland metro area stood at 123,000—down 72,000, or 36.9%, from 2000.

Manufacturing job loss has been a noted trend nationwide, but not all areas of the country have experienced the same degree of displacement. For example, employment in durable goods manufacturing—which has continuously accounted for more than 7 out of every 10 manufacturing jobs in the Cleveland area since these data were first recorded in 1990—as a share of total nonfarm employment declined from 12.8% in 2000 to 8.1% in 2019 in the Cleveland MSA, or by 4.6 percentage points.¹² In the United States overall, the share fell from 8.2% to 5.3%—a drop of 2.9 percentage points.¹³ And while the percentage point decreases in manufacturing shares between the Cleveland metro area and the country overall are not hugely dissimilar, *total* nonfarm employment in the United States actually increased by 14.3% over that time period; meanwhile in the greater Cleveland area, it shrank by 4.9%. Employment growth in other sectors has helped displaced workers across the country maintain employment, but the Cleveland metro area has not experienced the same level of sectoral reorganization and employment growth outside the manufacturing sector. Figure 2 below shows the employment trends of the nonfarm, manufacturing, and largest manufacturing subsectors in the Cleveland metro area between 1990, when these data were first published, and 2020, the year for which data are most recently available.

Businesses have likewise been leaving the Cleveland MSA over the past two decades. Between 2001, the earliest date for which these data are available, and 2019, before the COVID-19 pandemic and subsequent recession took their toll on the economy, the total number of private business establishments in the Cleveland metro area shrank from 56,100 to 54,400—a drop of 3.1%.¹⁴ Over the same time period, the number of manufacturing firms in the area declined from 4,800 to 3,300—a drop of 30.0%. Lorain County, which contains the city of Lorain, saw an even larger decline in private firms; the number of private establishments located in Lorain County decreased by 290, or 5.0%, between 2001 and 2019, while the number of manufacturing establishments in the county declined by 18.8%.

¹⁰ Data are reported to 2019 to show trends prior to the onset of the COVID-19 pandemic. Federal Reserve, [Resident Population in Cleveland-Elyria, OH](#), Accessed October 14, 2021.

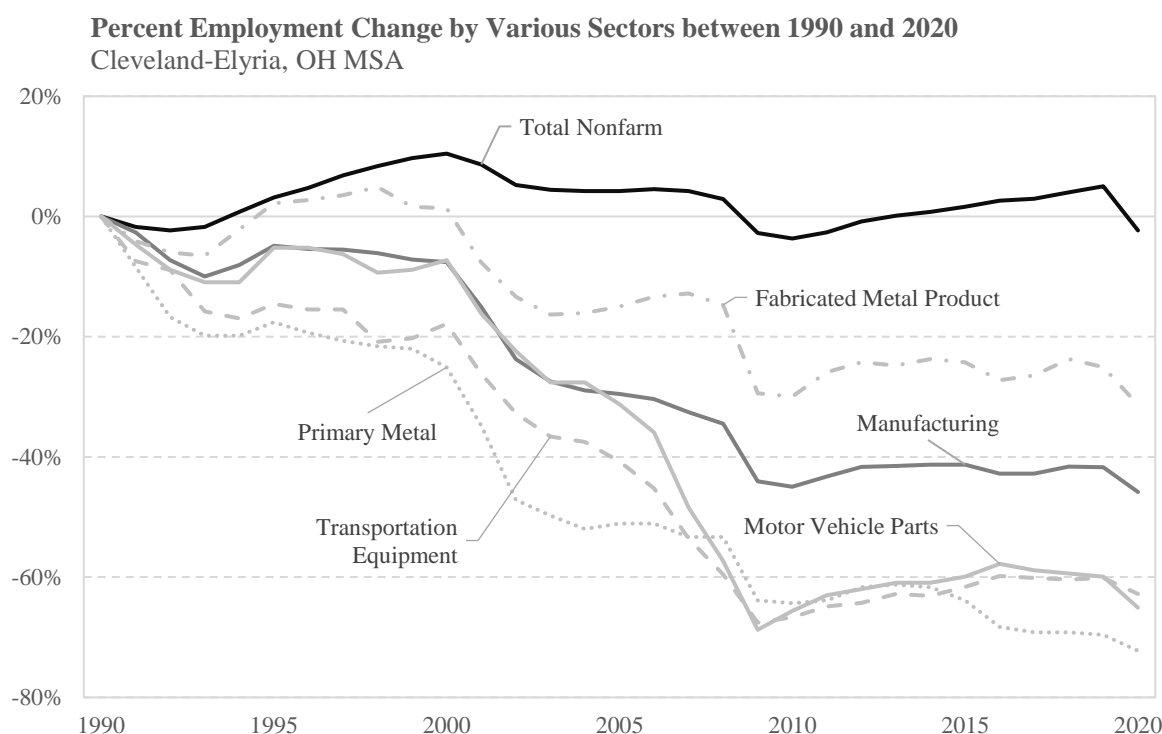
¹¹ U.S. Bureau of Labor Statistics, [All Employees, Total Nonfarm, Manufacturing, Durable Goods in Cleveland-Elyria, OH MSA retrieved from FRED, Federal Reserve Bank of St. Louis](#), Accessed October 14, 2021.

¹² U.S. Bureau of Labor Statistics, [All Employees, Total Nonfarm, Manufacturing, Durable Goods in Cleveland-Elyria, OH MSA retrieved from FRED, Federal Reserve Bank of St. Louis](#), Accessed October 14, 2021.

¹³ U.S. Bureau of Labor Statistics, Accessed October 14, 2021.

¹⁴ Author's calculation of U.S. Bureau of Labor Statistics, [Quarterly Census of Employment and Wages, Ohio](#), Accessed October 14, 2021. (Note: Calculations are performed prior to rounding, which may lead to discrepancies between presented data and any replicated calculations.)

Figure 2. Employment Trends in Total Nonfarm and Manufacturing Industries in Cleveland MSA



Source: Data retrieved from the Federal Reserve, [Manufacturing Data in Cleveland-Elyria, OH](#).

Labor Market and Business Conditions in the Detroit-Warren-Dearborn, MI MSA

The Detroit-Warren-Dearborn, MI MSA, which consists of Lapeer, Oakland, Livingston, Macomb, St. Clair, and Wayne counties, has also experienced significant population and employment decline over the past twenty years. In 2019, the year prior to onset of the COVID-19 pandemic, the resident population of the Detroit metro area stood at 4.30 million—a decline of 175,000, or 3.9%, from the recent peak of 4.98 million in 2005 and a decline of 153,000, or 3.4%, from 4.46 million when these data were first collected in 2000.¹⁵

Nonfarm employment in the Detroit metro area has declined by 7.3% between 2000, when it was 2.20 million, and 2019, prior to when the pandemic upended labor markets.¹⁶ Of the 160,000 jobs lost, 77.0% were in the manufacturing sector, in which employment declined by 123,400 over the same period. Automobile manufacturing alone accounted for 26,400, or 16.5%, of this total job loss. Overall, the share of jobs in the Detroit metro area in the manufacturing sector declined from 17.3% to 12.6% between 2000 and 2019.

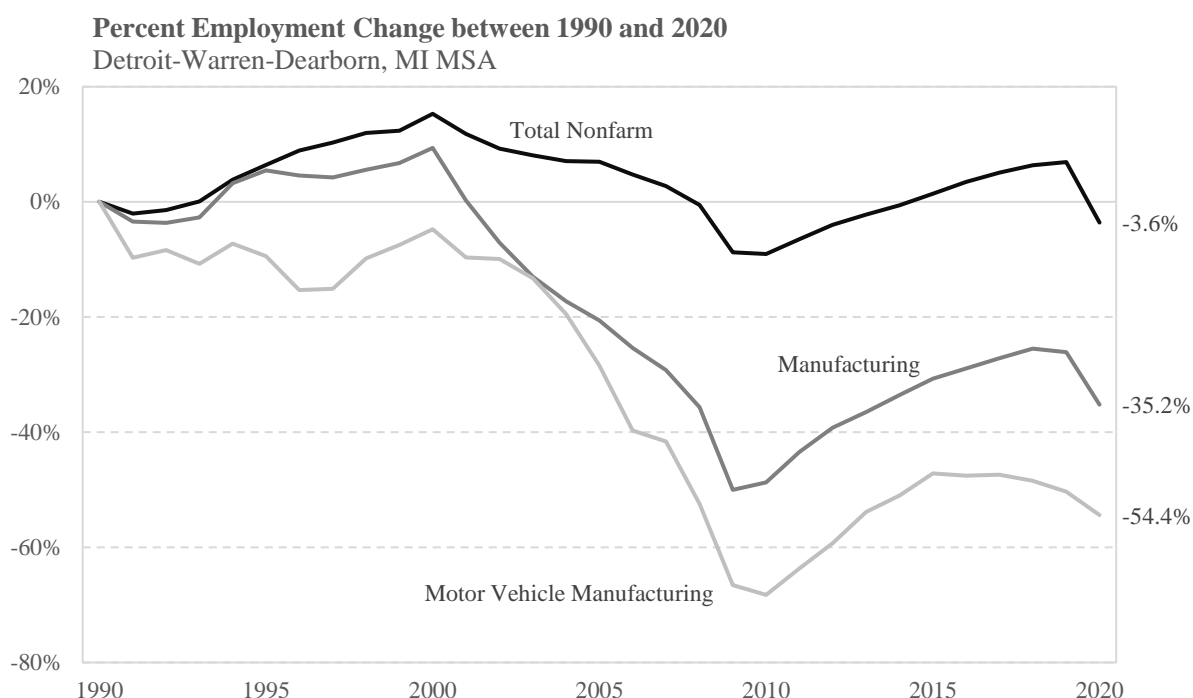
Much like the Cleveland-Elyria, OH MSA, the Detroit-Warren-Dearborn, MI MSA saw a decline in its number of private business establishments between 2001 and 2010, but unlike the former, the latter has

¹⁵U.S. Census Bureau, [Resident Population in Detroit-Warren-Dearborn, MI \(MSA\)](#), retrieved from FRED, Federal Reserve of St. Louis. Accessed October 14, 2021.

¹⁶U.S. Bureau of Labor Statistics, [All Employees: Total Nonfarm, Manufacturing, Manufacturing: Durable Goods, Manufacturing Durable Goods: Motor Vehicles Manufacturing in Detroit-Warren-Dearborn, MI \(MSA\)](#), retrieved from FRED, Federal Reserve Bank of St. Louis. Accessed October 14, 2021.

experienced establishment growth since the end of the Great Recession in 2010. Between 2001 and 2010, the number of private establishments in the Detroit-Warren-Dearborn, MI MSA declined from 106,100 to 93,100, or 12.2%.¹⁷ However by 2019, before the COVID-19-induced recession, this number had rebounded to 103,000. The number of manufacturing establishments in the Detroit metro area went through a similar trajectory, declining from 8,100 in 2001 to 6,000 in 2010, only to rebound to 6,300 in 2019. Figure 3 below shows employment trends in nonfarm, manufacturing, and motor vehicle manufacturing in the Detroit metro area for the range of years for which the data are available.

Figure 3. Employment Trends in Total Nonfarm and Manufacturing Industries in Detroit MSA



Source: Data retrieved from the Federal Reserve, [Manufacturing Data in Detroit-Warren-Dearborn, MI](#).

Latest Demographic and Socioeconomic Snapshots of Ohio and Michigan

Ohio and Michigan have similar overall demographic and socioeconomic indicators when compared to the US (Table 1). For instance, population growth between 2010 and 2020 in both states was about 5 percentage points lower than in the US. According to the latest US Census' American Community Survey (ACS) estimates for 2015-19, the percent of working age population (25-64) was slightly lower in both states than in the US, and the percent of older population (over 65) was 16.7% in both states or 1.1 percentage point higher than in the US. The percent of population living in poverty in Ohio (14.0%) and in Michigan (14.4%) was also slightly higher than in the US (13.4%). Both states also fared similarly in terms of diversity, as measured by the US Census' diversity index, which captures "the representation and relative size of different racial and ethnic groups within a population"¹⁸ compared with the US.

¹⁷ U.S. Bureau of Labor Statistics, [Quarterly Census of Employment and Wages, Ohio](#). Accessed October 14, 2021. (Note: Calculations performed prior to rounding, which may lead to discrepancies between presented data and any replicated calculations.)

¹⁸ U.S. Census Bureau, [Racial and Ethnic Diversity in the United States: 2010 Census and 2020 Census](#), August 2021, Accessed October 14, 2021.

Table 1: Demographic and Selected Economic Statistics Comparing the US, Ohio, and Michigan.

	US	OH	MI
Population Growth between 2010-20	7.4%	2.3%	2.0%
Percent Working Age (25 to 64)	52.3%	51.8%	51.7%
Percent 65 years and older	15.6%	16.7%	16.7%
Diversity Index in 2020	61.1%	40.4%	45.2%
Percent population 16 years and over in labor force	63.0%	63.3%	61.5%
Percent employed	55.3%	59.8%	57.8%
Percent in Poverty	13.4%	14.0%	14.4%
Median Household Income	\$62,843	\$56,602	\$57,144

Source: 2010 Census Redistricting Data (Public Law 94-171); 2020 Redistricting Data (Public Law 94-171); Summary File; ACS 2015-2019 American Community Survey 5-year estimates.

At the metropolitan level, the population in the Cleveland-Elyria MSA grew 0.5% between 2010 and 2020—1.7 percentage points lower than the population growth in Ohio and 6.8 percentage points lower than the US population growth over the same time period.¹⁹ The population in the Detroit-Warren-Dearborn MSA increased 2.2% between 2010 and 2020, a 0.2 percentage point higher than in Michigan but 5.2 percentage points lower than the U.S population.

Cleveland-Elyria MSA, Lorain County and the City of Lorain, Ohio

A closer look at local conditions (Table 2) reveals significant differences between the city of Lorain and the broader region. For instance, between 2010 and 2020, the population of the city of Lorain increased 1.7% or a 0.5 percentage point lower than in the state of Ohio and 2.2 percentage points lower than in Lorain County. The percent of working age population (25 to 64) was also lower in the city of Lorain than in the county or state. Most notably, the percent of population living in poverty in the city of Lorain was 25.1%, almost twice that in Lorain County (13.5%), Cleveland MSA (14.3%), and Ohio (14.0%).

Table 2: Demographic and Selected Economic Statistics Comparing the State of Ohio to Cleveland, OH MSA, Lorain County and Lorain City, Ohio.

	Ohio	Cleveland MSA	Lorain County	Lorain City
Population Growth between 2010-20	2.3%	0.5%	3.9%	1.7%
Percent Working Age (25 to 64)	51.8%	52.1%	51.3%	49.5%
Percent 65 years and older	16.7%	18.0%	17.8%	15.8%
Percent population 16 years and over in labor force	63.3%	63.5%	60.9%	57.8%
Percent employed	59.8%	59.5%	57.6%	52.8%
Percent in Poverty	14.0%	14.3%	13.5%	25.1%
Median Household Income	\$56,602	\$57,228	\$58,427	\$38,291

Source: 2010 Census Redistricting Data (Public Law 94-171); 2020 Redistricting Data (Public Law 94-171); Summary File; ACS 2015-2019 American Community Survey 5-year estimates.

¹⁹ Ibid.

Conclusion

The gains from globalization have been felt in a wide range of sectors and geographies of the United States, but the losses have been more localized. The Cleveland metro area, where the economy was historically reliant on the manufacturing sector, has experienced sizeable declines in population, employment, and business activity. However, the most recent data reveal that even within the Cleveland metro area, disparities persist in geographically uneven ways. The city of Lorain, formerly home to major employers like Ford's Assembly plant until 2005, Johnson Metall until 2015, the National Gypsum plant in 2008, and others,²⁰ continues to be disproportionately affected by the economic shifts of the past two decades. The Detroit metro area, which has similar historical ties to and reliance on the manufacturing sector, experienced similar declines between 2000 and 2010. In the years following the aftermath of the Great Recession, however, Detroit saw population and employment growth, contrary to Cleveland.

²⁰ Lee, Trymaine. "[The Heartland: Life and Loss in Steel City](#)". *msnbc.com*. MSNBC. Retrieved October 14, 2021.